

ORIGINAL



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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

APR 07 2015

COMMISSIONERS

SUSAN BITTER SMITH, CHAIRMAN
BOB STUMP
BOB BURNS
TOM FORESE
DOUG LITTLE

DOCKETED BY

RC

IN THE MATTER OF THE APPLICATION
OF GREENHAVEN WATER COMPANY,
INC. FOR AN INCREASE IN ITS RATES

DOCKET NO. W-02325A-14-0322

RESPONSE TO STAFF REPORT

Greenehaven Water Company, Inc. ("Company" or "Greenehaven") hereby
responds to the Staff Report as follows:

Rate Base

After adjustments, Staff determined that Greenehaven's rate base is \$14,491. The
Company agrees with Staff. For the court's convenience, a schedule showing how rate
base was determined is set forth in Attachment 1.

Operating Expenses

Greenehaven's proposed operating expenses are \$75,690, which is only \$2,478
higher than Staff's proposed \$73,212. The Company accepts Staff's proposed

1 adjustments to water testing (\$372 increase), insurance (\$619 decrease), rate case
2 expense (\$4,000 decrease), and depreciation expense (\$4,281 decrease). The difference
3 is due to the Company's request for a higher revenue requirement, which drives up
4 property and income tax expense. See Attachment 2. The Company believes its
5 proposed operating expenses are appropriate and should be adopted.
6

7 **Revenue Requirement**

8
9 The Company strongly disagrees with Staff's proposed revenue requirement of
10 \$83,486. Staff's position results in an operating income of \$10,274. This results in a
11 cash flow of only \$11,334 a year, which is \$944.50 per month.
12

13 Greenthaven cannot operate with such low cash flow. For example, in October
14 2014, a Company well pump and motor failed. The new pump motor cost \$6,361. The
15 new pump and labor for installation cost \$10,021. The total cost to replace the pump and
16 water was \$16,382. See Attachment 3. Put another way, if the Company actually hit its
17 revenue requirement, it would take the Company 18 months to earn enough money to pay
18 for these necessary repairs.
19
20

21 Not only will this small amount of cash flow be needed to pay for major repairs, it
22 will be needed to cover the cost of other smaller repairs, such as line breaks, as well as
23 inflation, rising energy costs, and other routine expenses that rise over time. Moreover,
24 rarely does a small water company hit its revenue requirement because the Arizona
25 Corporation Commission uses tiered rate designs to encourage conservation. While
26 water conservation is a sound public policy, it almost always leaves the small water
27
28

1 company earning less than its revenue requirement. If Staff's proposal is adopted, the
2 Company will be lucky to break even financially.
3

4 Finally, it is important to note that the owners do not take any money from the
5 Company. They have not received any dividends or taken a salary for all of the work
6 they perform. Thus, any concern that the owners will be unjustly enriched has no basis.
7
8 The Company simply wants to ensure that it can pay its expenses without going into debt.

9 Greenehaven's proposed revenue requirement of \$96,440 should put the Company
10 in a sound financial position. The Company would receive an operating income of
11 \$20,750 and cash flow of \$21,810. This would enable Greenehaven to meet the rising
12 costs, pay for substantial repairs like well pump failures, and possibly leave the Company
13 with enough money to make system improvements from time to time.
14

15 **Rate Design**

16

17 The Company is proposing a normal rate design that provides revenue stability,
18 retains the link to water use and expense, and keeps residential rates low. Greenehaven's
19 rate design essentially has half of the revenue coming from the monthly minimum and the
20 other half coming from the commodity rates. This assures the Company will have
21 revenue stability. Meanwhile, the average customer using 5,032 gallons will pay only
22 \$23.56 a month. The median customer using 2,934 gallons will pay only \$19.67 a month.
23
24 According to the Water Infrastructure Finance ("WIFA") pricing survey, the median
25 monthly bill for 5,000 gallons served by a water provider with less than a thousand
26
27
28

1 connections is \$34.35.¹ Clearly, in 2015 a residential water bill of around \$20.00 is
2 extremely reasonable. Therefore, the Company's proposed rates and charges set forth in
3 Attachment 4 should be adopted.
4

5 On the other hand, Staff's proposed rate design is extremely unusual and almost
6 ensures the Company will not ever earn the cash flow it claims the Company needs.
7 Instead of a 50/50 split between the monthly minimum and commodity revenues, Staff
8 proposes 33/67 split, with most of the revenues coming from the commodity charges.
9 Apparently, the reason for this approach is to keep the residential water users rates
10 extremely low. Staff's proposal would leave the typical residential water user paying less
11 than \$13.00 a month. Staff shifts the burden of the increase to the higher water users. As
12 we all know, the problem with this approach is that it will cause conservation, leaving the
13 Company with less revenue than what is projected. The court should reject this
14 unreasonable approach and follow Greentown's proposed rate design.
15
16
17

18 **BMPs**

19 Greentown believes it is unnecessary to adopt BMPs. Greentown is not within
20 an Active Management Area regulated by the Arizona Department of Water Resources
21 ("ADWR"). Nevertheless, the Company is compliant with ADWR's rules and there is no
22 pressing reason to require BMPs.
23
24
25
26
27
28

¹ See WIFA Water and Wastewater Service Pricing in Arizona, at p. 12 (Sept. 2014)

1 DATED this 7th day of April, 2015.

2 **MOYES SELLERS & HENDRICKS**

3
4 
5 _____
6 Steve Wene

7 Original and 13 copies of the foregoing
8 filed this 7th day of April, 2015, with:

9 Docket Control
10 Arizona Corporation Commission
11 1200 West Washington
12 Phoenix, Arizona 85007

13 
14 _____

ATTACHMENT 1

Company Name: Greenehaven Water Company, Inc. Test Year Ended: December 31, 2013
Docket No. W-02325A-14-0322

UTILITY PLANT IN SERVICE AND RATE BASE

Acct. No.	Description	Original Cost	Accumulated Depreciation	OCLE
303	Land & Land Rights	\$ 890		\$ 890
304	Structures & Improvements			-
307	Wells & Springs	18,932	18,932	-
311	Pumping Equipment	30,529	25,505	5,024
320	Water Treatment Equipment			-
320.1	Water Treatment Plants			-
320.2	Solution Chemical Feeders			-
330	Distribution Reservoirs & Standpipes			-
330.1	Storage Tanks	58,944	58,944	(0)
330.2	Pressure Tanks			-
331	Transmission & Distrib. Mains	490,309	278,604	211,704
333	Services	118,781	48,863	69,918
334	Meters & Meter Installations	3,256	2,404	852
335	Hydrants	120,546	51,933	68,613
336	Backflow Prevention Devices	-		-
339	Other Plant & Misc Equipment	-		-
340	Office Furniture & Equipment	-		-
340.1	Computers & Software	-		-
341	Transportation Equipment	-		-
343	Tools, Shop & Garage Equip.	-		-
345	Power Operated Equipment	690	604	86
347	Miscellaneous Equipment	-		-
	Totals	\$ 842,876	\$ 485,789	\$ 357,087

Gross Contributions	(602,567)
Amortization of CIAC	252,716
1/24 Power & Water	582
1/8 Operation and Maintenance	6,673
Rate Base Proposed by Staff and Adopted by Company	\$ 14,491

ATTACHMENT 2

Company Name: Greentehaven Water Company, Inc.
Docket No. W-02325A-14-0322

Test Year Ended: December 31, 2013

STATEMENT OF OPERATING INCOME

Acct. No.	OPERATING REVENUES	2013 TEST YEAR	PROFORMA ADJUSTMENTS	REF #	ADJUSTED TEST YEAR	PROPOSED RATE INCR	REF #	PROPOSED TEST YEAR
461	Metered Water Revenue	\$ 54,440			\$ 54,440	\$ 42,000		\$ 96,440
460	Unmetered Water Revenue				-			-
474	Other Water Revenues				-			-
	TOTAL OPERATING REVENUES	\$ 54,440	\$ -	*	\$ 54,440	\$ 42,000		\$ 96,440
	OPERATING EXPENSES							
601	Salaries and Wages (See page 1, item 4)	\$ 27,075			\$ 27,075			\$ 27,075
610	Purchased Water (See page 1, item 5)				-			-
615	Purchased Power (See page 1 item 6)	13,963			13,963			13,963
618	Chemicals				-			-
620	Repairs and Maintenance (See page 1, item 7)	4,936			4,936			4,936
621	Office Supplies & Expense	791			791			791
630	Outside Services (See page 1, item 8)				-			-
635	Water Testing (See page 1, item 9)	845	372	S	1,217			1,217
641	Rents				-			-
650	Transportation Expenses	2,338			2,338			2,338
657	Insurance - General Liability	12,957	(619)		12,338			12,338
659	Insurance - Health and Life				-			-
666	Regulatory Commission Exp-Rate Case	1,500	2,500	S	4,000			4,000
675	Miscellaneous Expense	690			690			690
403	Depreciation Expense (From page 20)	5,341	(4,281)	S	1,060			1,060
408	Taxes Other Than Income				-			-
408.11	Property Taxes (See page 1, item 10)	1,861	23	1a	1,884	1,454	1b	3,338
409	Income Tax	-	(2,532)	2a	(2,532)	6,475	2b	3,944
427.2	Customer Security Deposit Interest	-						
	TOTAL OPERATING EXPENSES	\$ 72,297	\$ (4,536)		\$ 67,761	\$ 7,929		\$ 75,690
	OPERATING INCOME/(LOSS)	\$ (17,857)	\$ 4,536		\$ (13,321)	\$ 34,071		\$ 20,750

1a and 1b - refer to page 3

2a and 2b - refer to page 4

S - adopt Staff adjustments per Schedule PNT-W3

Add depreciation expense 1,060
Annual proposed cash flow \$ 21,810

Operating Margin 21.62%

DETAIL OF PROPERTY TAX EXPENSE ADJUSTMENTS 1a AND 1b

Line		Test Year as Adjusted	Company at Proposed Rates
1	Adjusted 2013 Test Year Revenue	\$ 54,440	\$ 96,440
2	Weight Factor	2	2
3	Subtotal	\$ 108,880	\$ 192,880
4	Company Recommended Revenue	54,440	96,440
5	Subtotal	\$ 163,320	\$ 289,320
6	Number of Years	3	3
7	Three Year Revenue Average	\$ 54,440	\$ 96,440
8	AZ Department of Revenue Multiplier	2	2
9	Revenue Base Value	\$ 108,880	\$ 192,880
10	Plus 10% of CWIP	-	-
11	Less: Net Book Value of Licensed Vehicles	-	-
12	Full Cash Value	\$ 108,880	\$ 192,880
13	Assessment Ratio	18.50%	18.50%
14	Assessment Value	\$ 20,143	\$ 35,683
15	Composite Property Tax Rate *	9.3551%	9.3551%
16	Adjusted Test Year Property Tax Expense	\$ 1,884	
17	Actual Test Year Property Tax Expense	1,861	
18	Total Adjustment 1a	\$ 23	
19	Projected Property Tax Expense		\$ 3,338
20	Adjusted Test Year Property Tax Expense		1,884
21	Total Adjustment 1b		\$ 1,454
22	<i>* Property tax composite rate calculation:</i>		
23	Assessed Value per 2012 Property Tax Notices	\$ 19,890	
24	Property Tax due per 2012 Notices	1,861	
25	Composite Property Tax Rate	9.3551%	
26	<i>For Gross Revenue Conversion Factor:</i>		
27	Change in Property Tax Expense	\$ 1,454	
28	Change in Revenue Requirement	42,000	
29	Change in Property Tax per Dollar Increase in Rev	3.4614%	

CALCULATION OF PROPOSED INCOME TAXES

Line	Description		
1	Test Year		
2	Operating Income/(Loss) Before Taxes	\$ (15,852)	
3	Add Interest Income	-	
4	Less Estimated Interest Expense	-	
5	Taxable Income	\$ (15,852)	
6	Effective Combined Federal and State Income Tax Ra	15.97%	
7	Total Income Tax Expense		\$ (2,532)
8	Test Year income Tax Expense		\$ -
9	Total Adjustment 2a to Test Year Income Taxes		\$ (2,532)
10			
11	At Proposed Rates		
12	Operating Income/(Loss) Before Taxes	\$ 24,694	
13	Add Interest Income	-	
14	Less Estimated Interest Expense	-	
15	Taxable Income	\$ 24,694	
16	Effective Combined Federal and State Income Tax Ra	15.97%	
17	Total Income Tax Expense		\$ 3,944
18	Adjusted Test Year income Tax Expense		\$ (2,532)
19	Total Adjustment 2b to Income Taxes at Proposed Rates		\$ 6,475

ATTACHMENT 3

SOUTHWEST SALES, SERVICE & PUMPS, INC.

PHONE 435-673-0128

FAX 435 674-0971

1153 NORTH 1100 WEST

INVOICE

BILL TO
GREENEHAVEN WATER COMPANY P.O BOX 5122 PAGE, AZ 86040

DATE	INVOICE #
10/29/2014	28027

P.O. NO.	TERMS	DUE DATE	JOB #	PHONE #	CONTACT PERSON	
		10/29/2014	FAX#928-353-4191	928-660-0668	TED	
DESCRIPTION				QTY	RATE	AMOUNT
RIG RATE - 10/16 (3) MEN -travel to site, pulled 816' ft of 4" pipe				11.25	175.00	1,968.75T
RIG RATE - 10/17 (3) MEN-travel to site, install new pump brought by SWS & motor- supplied by customer. Return to shop.				10.5	175.00	1,837.50T
MERCHANDISE - GOULDS 50 HP WET END 16 STG				1	5,243.00	5,243.00T
FREIGHT					71.00	71.00
MERCHANDISE- SPLICE KIT & TAPE					126.00	126.00T
OVERNIGHT HOTEL & MEALS					190.00	190.00T
Sales Tax					6.25%	585.33
paid 10-31-14 check # 1838						
				Total		\$10,021.58

A finance charge of 2% per month will be charged on all unpaid balances over 30 days. Customer agrees to pay reasonable collection and attorney fees in the event this account is turned over to an attorney for collection. A \$20.00 fee will be charged on any returned checks.

Signature _____

1838

GREENEHAVEN DEVELOPMENT CORP.

PO BOX 160
FOUNTAIN, CO 80817

DATE 10/31/14

80-616-810

PAY TO THE ORDER OF Southwest Sales, Service & Pumps, Inc.

\$10,021.58

Ten Thousand & Twenty One Dollars & 58/100-----

DOLLARS



Security Features
VOID IF COPIED



FOR Pull & install pump & motor
Inv.#28077

Gilbert PUMP & EQUIPMENT CO.

1475 EAST ELWOOD STREET
PHOENIX, ARIZONA 85040
PHONE 602-276-5599 FAX 602-276-5592

MAILING ADDRESS:
P.O. BOX 20216
PHOENIX, AZ 85036

SHIPPING MEMO ONLY

SOLD TO:				SHIPPED TO:	GREENHAVEN WATER CO.	
W.O. NO.	PP4-0191	CUSTOMER ORDER NO.		SHIP VIA	DELIVER	
QTY	MATERIALS			QTY	MATERIALS	
1	50 HP FRANKLIN SUBMERSIBLE					
	PUMP MOTOR					
	Chk 1437				CONTACT ROGER CLOUSE	
	# 6361.01				928-660-0668	

SIGN: _____ PRINT: _____

DATE: 10/14/14

1837

GREENEHAVEN DEVELOPMENT CORP.

PO BOX 160
FOUNTAIN, CO 80817

DATE Oct. 14, 2014 80-616-810

PAY
TO THE
ORDER OF Belbert Pump

\$ 6,361.01

Six Thousand + Three Hundred + Sixty One Dollars + ⁰¹/₁₀₀ DOLLARS ☒ NO POSTAGE
NECESSARY
IF MAILED
IN THE
U.S.



FOR water pump

[Signature] MP

ATTACHMENT 4

PROPOSED RATES AND CHARGES

Monthly Usage Charges (Residential and Commercial)

5/8" x 3/4" Meter	\$	16.00
3/4" Meter		24.00
1" Meter		40.00
1-1/2" Meter		80.00
2" Meter		128.00
3" Meter		256.00
4" Meter		400.00
6" Meter		800.00

Commodity Charges - Per 1,000 Gallons (Residential and Commercial)

<u>5/8" x 3/4" and 3/4" Meter</u>		
First 3000 gallons	\$	1.25
3,001 to 9,000 gallons		1.88
Over 9,000 gallons		2.45
<u>1" Meter</u>		
First 15,000 gallons	\$	1.88
Over 15,000 gallons		2.45
<u>1-1/2" Meter</u>		
First 30,000 gallons	\$	1.88
Over 30,000 gallons		2.45
<u>2" Meter</u>		
First 50,000 gallons	\$	1.88
Over 50,000 gallons		2.45
<u>3" Meter</u>		
First 100,000 gallons	\$	1.88
Over 100,000 gallons		2.45
<u>4" Meter</u>		
First 150,000 gallons	\$	1.88
Over 150,000 gallons		2.45
<u>6" Meter</u>		
First 310,000 gallons	\$	1.88
Over 310,000 gallons		2.45

Monthly Usage Charges (Irrigation)

5/8" x 3/4" Meter	\$	10.00
3/4" Meter		15.00
1" Meter		25.00
1-1/2" Meter		50.00
2" Meter		80.00
3" Meter		160.00
4" Meter		250.00
6" Meter		500.00

Commodity Charges (Irrigation)

Per 1,000 gallons for all	\$	1.30
---------------------------	----	------

PROPOSED SERVICE LINE AND METER INSTALLATION CHARGES

	Service Line Charge	Meter Charge	Total Charges
5/8" x 3/4" Meter \$	445.00	\$ 155.00	\$ 600.00
3/4" Meter	445.00	255.00	700.00
1" Meter	495.00	315.00	810.00
1-1/2" Meter	550.00	525.00	1,075.00
2" Turbine Meter	830.00	1,045.00	1,875.00
2" Compound Meter	830.00	1,890.00	2,720.00
3" Turbine Meter	1,045.00	1,670.00	2,715.00
3" Compound Meter	1,165.00	2,545.00	3,710.00
4" Turbine Meter	1,490.00	2,670.00	4,160.00
4" Compound Meter	1,670.00	3,645.00	5,315.00
6" Turbine Meter	2,210.00	5,025.00	7,235.00
6" Compound Meter	2,330.00	6,920.00	9,250.00
Over 6"	At Cost	At Cost	At Cost

OTHER PROPOSED CHARGES

Establishment	\$	30.00
Reconnection (delinquent)		30.00
Re-establishment (within 12 months)	***	
Meter Test (If correct)	\$	40.00
Deposit	*	
Deposit Interest	*	
NSF Check	\$	25.00
Deferred Payment (per month)	**	
Meter Re-read	\$	25.00
Late Payment Fee (per month)	1.5% per month	
After Hours Service Charge (at customers request)	\$	35.00

* - Per Rule R14-2-403(B).

** - Per Rule R14-2-409(G).

*** - Months off system times the monthly minimum per Rule R14-2-403(D).